

New Jersey State Employees Deferred Compensation Plan Distribution Options

New Jersey State Employees Deferred Compensation Plan

When you leave State service (whether for retirement, disability, resignation, or termination) you must decide when and how you want to start receiving distributions (payments) from your account with the Deferred Compensation Plan - otherwise we will hold your money until we hear from you. You can receive money immediately or you can defer the start of distributions.

You will choose:

- the date that you want to start receiving payments. (See Options for the Start of Distributions.)
- whether you want to receive your money in one payment or in monthly payments over a period of time. (See Options for the Method of Distributions.)

OPTIONS FOR THE START OF DISTRIBUTIONS

You may receive money from your account immediately **or** delay the start of distributions until any future month and year of your choice. However, you must start receiving distributions no later than March 27 of the year after the year in which you reach age 70½ or separate from employment whichever is later.

To make your choice(s) you **MUST** submit a *Distribution Request* form to this office no later than the 10th day of the month in which you request payment to commence.

OPTIONS FOR THE METHOD OF DISTRIBUTIONS

You may choose to receive your distributions in any of the following methods:

- A one-time lump-sum payment of the entire amount.
- A portion of your account in a specific lump-sum dollar amount
- Periodic installments paid annually, semi-annu-

ally, quarterly, or monthly for a specified number of years (you must indicate full years).

- A combination of a specific lump-sum dollar amount with subsequent installment payments for a specified number of years.

When electing any combination of lump-sum payment with subsequent installment payments, the installments can only occur as long as you leave at least \$5,000 in your account for the start of the installment payments.

MODIFYING DISTRIBUTION ALTERNATIVES

You may change your method of distribution up to 20 days before the date of your first payment. For example, you could switch from installment payments to a lump-sum payment, or vice-versa. To make a change, you must file a new *Distribution Request* form by the 7th day of any month in which you wish your change to occur. Changes received after the 7th day will become effective on the following month's distribution. For example: if your payments are scheduled to start on July 27th you must notify us no later than July 7th.

After payments begin, you may change the date and/or method that you have selected for payments from your account. However, a *Distribution Request* form indicating the change must be received by the Plan no later than 20 days prior to the scheduled payment date.

For example: If you were scheduled to receive a payment on July 27th you could change that date to any future date and/or the method to any other option available under the Plan. However, you must notify the Plan of your wishes no later than July 7th. After that date changes would occur with payment dated August 27th.

If you elect an initial lump-sum payment with subsequent installment payments, you can request, at a later date, a second lump-sum payment. If this decreases your balance to less than \$5,000, it will

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void the scheduled installment payments and will result in a lump-sum distribution on the date your installment payments are scheduled to begin.

INVESTMENT OF ACCOUNT BALANCES

You will always have the option to change your investment selections for the money that remains in your account. You may transfer your account balances among the investment options by filing a *Change Request* form. Transfers may be made once each month.

DIRECT DEPOSIT

The Plan offers direct deposit of most distribution payments. You may call the Deferred Compensation Office at (609) 292-3605 for the authorization form or you may download the form from our website at: www.state.nj.us/treasury/pensions/fact32.htm

VALUATION

Accounts are valued as of the last day of each calendar month. Account distributions are based on your account value as of the last day of the month prior to each payment date.

TAXABILITY

The New Jersey State Employees Deferred Compensation Plan is an eligible state deferred compensation plan under section 457(b) of the Internal Revenue Code. The distributions do not qualify for special 5-year or 10-year averaging. Distributions also will not qualify as "compensation" for an individual to be eligible to make contributions to an IRA.

Distributions from the Plan are defined as pension payments and are subject to federal income tax unless rolled over to a qualified plan. Tax withholding will be determined by the eligibility of your funds for rollover to other plans. If directly rolled over to another pension plan, nothing will be withheld. If eligible for a rollover and paid directly to you, 20 percent will be withheld. If not eligible for a rollover, taxes will be withheld based on the information that you file with

us on a *Withholding Allowance Certificate (Form W-4P)*. You may revise this information at any time by filing a new form. At the end of every year in which you receive a distribution, you will be issued a *Form 1099R* indicating your distribution and any tax withheld.

If you were a New Jersey taxpayer while participating in the Plan, contributions to the Plan were included in your New Jersey gross income when they were made. Therefore, only the distributions that you receive in excess of the total amount of your contributions will be included in your New Jersey taxable income.

Distributions received from the Plan by a New Jersey non-resident are not subject to New Jersey gross income tax and should not be reported on *Form NJ-1040NR*.

This taxability information has been developed from information obtained from various federal and state taxpayer publications. These rules may be changed at any time and the Plan makes no guarantees as to the validity of these statements. Therefore, you may want to consult a professional tax advisor before you take a distribution from the Plan. Additional information concerning the taxability of your distribution from this eligible IRC § 457 plan should be directed to the Internal Revenue Service 1-800-829-1040, the New Jersey Taxpayer Hotline (609)-292-6400 or your home state's revenue collection authority.

ROLLOVER

Upon separation from employment, distributions may be eligible for direct rollover to a qualified 401(k), 403(b), IRA or 457(b) program in which you are actively participating. You can choose a direct rollover of all or any portion of your payment that is eligible for rollover. In a direct rollover, the distribution is paid directly from the Plan to an IRA or eligible employer plan that accepts the rollover. For additional rollover information see Fact Sheet #59, *The Taxability and Mandatory Withholding of Income Tax from Your Deferred Compensation Plan Distribution*.

This fact sheet has been produced and distributed by:

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This fact sheet is a summary and not intended to provide total information.

Although every attempt at accuracy is made, it cannot be guaranteed.
